

**QUARTERLY UPDATE  
TO THE LEGISLATURE  
MEDI-CAL MANAGED CARE PROGRAM**

**Period  
July through September 2006**

**California Department of Health Services  
Medical Care Services  
Medi-Cal Managed Care Division**

**MEDI-CAL MANAGED CARE  
QUARTERLY UPDATE TO THE LEGISLATURE**

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## **I. Purpose of the Update**

The Budget Act of 2005, authorized expansion of the Medi-Cal Managed Care Program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma and Ventura.

In addition, the California Department of Health Services' (CDHS) proposed to change the managed care model in Fresno County from a Two-Plan model to a Geographic Managed Care (GMC) model. Beginning January 1, 2006, CDHS is required to provide quarterly updates to the policy and fiscal committees of the Legislature on core activities to improve the Medi-Cal Managed Care Program and on the expansion of managed care into the 13 new counties.

The updates shall include:

- Progress or key milestones and objectives to implement changes to the existing program;
- Submittal of state plan amendments to the federal Centers for Medicare and Medicaid Services;
- Submittal of any federal waiver documents; and
- Applicable key functions related to the Medi-Cal Managed Care expansion effort.

## **II. Key Milestones and Objectives**

### Collaboration with California HealthCare Foundation (CHCF)

The CDHS partnered with the CHCF to develop enhanced performance standards for Medi-Cal managed care plans for services for persons with disabilities and chronic illnesses. The CDHS received the CHCF recommendations in a report titled, "Performance Standards for Medi-Cal Managed Care Organizations Serving People with Disabilities and Chronic Conditions" on November 21, 2005. The CDHS requested comments and input from its contracting health plans regarding these recommendations.

The CDHS completed an initial analysis of the 53 recommendations to determine the applicability of the recommendations to the target population and assess the feasibility of each recommendation. The report, including its recommendations, is currently making its way through the deliberative process.

Concurrent with the review of the report, the Department is assessing the recommendations for opportunities to implement in the immediate future. For example, the CHCF report recommended that plans include committee representation of individuals living with disabilities and chronic health conditions. The CDHS is currently undergoing a process to standardize contract language among the primary model of managed care, and it will include language to implement this recommendation, expanded to include seniors, in that process.

Another example of continuing the work related to the CHCF project is the CDHS participation in the multi-state project to develop a performance measure for seniors and persons with disabilities (see Item 5 on page 5). This project is also consistent with recommendations in the CHCF report to develop and select performance measures for this population. The Department has also increased its Managed Care Advisory Group representation to include programs that serve persons with disabilities and advocates that work on their behalf. Although the Administration has not yet released the draft response to the CHCF report, it is fully engaged in activities to appropriately serve seniors and persons with disabilities.

### General Program Activities

The CDHS is currently undertaking or has completed the actions listed below to enhance and improve the Medi-Cal Managed Care program.

1. MMCD is working on a project to permit individuals who are eligible for both Medicare and Medi-Cal (commonly referred to as dual eligible), to simultaneously enroll in both a Medicare health plan and an existing Medi-Cal managed care health plan in Two Plan and Geographic Managed Care model counties. Dual eligibles are automatically enrolled in county organized health system plans. Currently, if a dual eligible is first enrolled in a Medicare health plan and attempts to enroll in a Medi-Cal managed care health plan, the State's enrollment contractor's system will prevent enrollment in the Medi-Cal managed care health plan. With completion of this project, dual enrollment will be allowed contingent on the Medicare and Medi-Cal managed care health plan being operated by the same managed care organization. This will permit managed care organizations to provide better coordination of care and benefits across product lines for those members with dual eligibility and enrollment.

The CDHS staff is working in collaboration with the Centers for Medicare and Medicaid Services (CMS), the California Association of Health Plans, and individual Medi-Cal managed care health plans that have or are working towards securing a Medicare line of business, to resolve issues related to data systems changes, capitation rates, marketing and beneficiary informing materials. On August 22, 2006, CMS provided training to CDHS staff on the Medicare lines of business, specifically Advantage/Special Needs Plans, which will assist with implementation of this project. Due to the complexities associated with this project, including modification of data transmission from CMS and system modifications for both CDHS and the managed care enrollment contractor, CDHS anticipates completion by July 2007.

The CDHS has formed a workgroup including representation from health plans, advocates for the SPD population and CMS to collaborate on

implementation of this project. The workgroup met in September 2006 and will meet again in December 2006

Note: this program enhancement is separate and distinct from the “Medicare HMO Wraparound Pilot” proposed in Assembly Bill 2979 (Richman). AB 2979 would have allowed new health plans to contract with CDHS to deliver services to dual eligible individuals; whereas this program enhancement is limited to existing Medi-Cal managed care plans.

2. Effective July 1, 2006, the CDHS executed a one-year extension of the External Quality Review Organization (EQRO) contract with Delmarva Foundation for Medical Care, Inc. The services of an EQRO are required by federal law to independently measure the performance of Medi-Cal managed care plans in relation to the quality of services provided to health plan members. The initial three-year contract with Delmarva began on October 1, 2003, and ended June 30, 2006. The original contract’s scope of work and budget included two optional one-year contract extensions that will extend the July 1, 2006, contract to July 1, 2008. Reprocurement activities have begun for a new EQRO contract to be effective July 1, 2008.
3. The CDHS provided the Medi-Cal managed care plans with 2006 Health Employer Data and Information Set (HEDIS) rates in late August 2006. The 2006 HEDIS summary report is in process and will be available on the CDHS website once complete.
4. The CDHS reconvened the default algorithm advisory group, made up of health plan representatives, consumer advocates and the California Healthcare Foundation in June 2006, to review the results of the first year of the new default algorithm, and to plan improvements for year two. The new default algorithm rewards Two-Plan Model and Geographic Managed Care health plans with a higher percentage of default enrollments based on superior performance on specific performance measures: five HEDIS performance measures and two traditional and safety net provider performance measures.

The CDHS conducted a follow -up teleconference call with the advisory group on August 16, 2006, to review and discuss proposed policies and changes to the algorithm for implementation in year two. The advisory group reached consensus on keeping most of the existing policies intact and recommended only minor changes. The CDHS has revised the algorithm using the updated performance measures to go into effect in December, 2006.

5. In June 2006, MMCD began the newly awarded two-year grant, the Purchasing Institute Technical Assistance (PITA) for Managed Care for Persons with Disabilities. The PITA which is designed to help states

improve health care delivery to the SSI-eligible populations through focused training and technical assistance will convene semi-annual face-to-face meetings and regular telephone conference calls with the states, the Center for Health Care Strategies (CHCS) staff and invited experts. The first year will focus on development and testing of a performance measure determined by all six participating states, and the second year will focus on implementing an intervention to improve care coordination.

The California four-member team attended the first face-to-face meeting in Indianapolis, Indiana on July 25 and 26, 2006, at which the participating states presented their preliminary areas of interest and additional states shared relevant experiences and projects. Significant interest was expressed by several states in the area of coordination of physical and mental health. Prior to the meeting, MMCD convened representatives from several health plans and discussed specific areas of interest and provided guidance to the project. Most of these health plans supported focusing the project on care coordination between primary care providers and mental health specialists.

MMCD is now participating in bi-weekly conference calls with the other five states and CHCS to begin development of the performance measure. Each state was first asked to identify five relevant subpopulations and/or co-morbidities. The states will then choose one of these for project focus. After conducting preliminary feasibility testing of data collection and analysis, the states will determine a performance measure. Baseline data collection is scheduled for spring 2007.

6. In July 2006, the CDHS entered into an interagency agreement with the University of California, Berkeley (UCB), School of Public Health, to develop a consumer guide to better inform seniors and persons with disabilities (SPDs) of the advantages of Medi-Cal managed care and increase awareness of the Medi-Cal Managed Care program. UCB will develop and focus test a comprehensive consumer guide that explains these options with the goal of increasing voluntary enrollment of SPDs into Medi-Cal managed care. The project includes the formation of an advisory group to provide input for the content and dissemination of the guide. The advisory group is comprised of representatives of target communities; Medi-Cal Managed Care organizations, policy-making organizations, and advocacy groups for SPDs. The project will span two fiscal years with work beginning in FY 2006/07. The pilot project will form the foundation of a larger statewide effort to outreach to the SPD population to increase their awareness and encourage their enrollment into Medi-Cal managed care health plans.

In September 2006, the CDHS and UCB convened the first advisory group

meeting to introduce and discuss the project concept. Input was received from members of the group regarding the special needs that SPDs have in the enrollment process. In September 2006, UCB began outreach efforts to consumers with the intention of recruiting approximately 200 representative consumers for in-depth interviews and later focus testing of materials as they are designed. Approximately 5,000 letters were mailed to Medi-Cal beneficiaries in SPD aid codes.

7. Mercer Government Human Resources Consulting was engaged in May 2005, by the CDHS' MMCD to review the Medi-Cal base data and to recommend opportunities for improvement to the current capitation rate development process and reimbursement structure. Mercer has completed its work, briefed the Administration and provided a report containing the two components (base data and rate development process), which was released January 26, 2007.
8. The CDHS has been working with the State Controller's Office to initiate administrative changes that will permit Electronic Fund Transfer (EFT) payments to contracting health plans rather than hard copy warrants. Due to difficulties with implementing EFT, the SCO suggested a "same day banking" process as an alternative. Under "same day banking" plans can have specified banks pick up the warrants from the SCO and deposit them into their bank accounts on the same day. The CDHS accepted this suggestion and completed this project in November 2006. The Department has informed contracting health plans of this available option.
9. On August 7, the CDHS convened a meeting with and several Medi-Cal managed care health plan Medical Directors and representatives from Planned Parenthood of California (PPAC). The purpose of the meeting was to allow PPAC representatives to present their concerns and problems in working with Medi-Cal managed care plans and to determine next steps to resolve the problems. While payment problems were the primary focus, Planned Parenthood also expressed their interest in updating the types of services defined as eligible out-of-plan family planning services and agreed to provide specific suggestions.

At the conclusion of the meeting, the health plan Medical Directors agreed to examine the nature of the reimbursement problems and to send representatives to participate in a workgroup with PPAC to resolve identified problems in a systematic manner. The CDHS has contacted PPAC to obtain a summary of the PPAC problems and will schedule the workgroup to commence meeting upon receipt of these materials.

### **III. State Plan Amendments**

Nothing new to report.

#### **IV. Federal Waivers**

At this time, it has not been necessary to seek a waiver modification for Medi-Cal managed care expansion. The managed care model the CDHS and expansion counties agree upon will determine the type of waiver modifications the CDHS will be required to submit to CMS. Current federal law limits the number of COHS plans in California. Development of either a new Demonstration Waiver (1115 waiver) or specific federal statute permitting an additional COHS is required for the creation of any new COHS in California.

MMCD recently submitted its 1915(b) waiver renewal package to CMS for the Health Plan of San Mateo (HPSM) and received approval on September 28, 2006.

MMCD is also in the process of drafting the 1915(b) waiver renewal submission for the Santa Barbara Regional Health Authority (SBRHA). This package will be submitted to CMS by October 1, 2006. The estimated approval date for this waiver submission is December 31, 2006.

#### **V. Key Activities on Medi-Cal Managed Care Expansion**

##### Information to Health Plans and Expansion Counties

The CDHS continues to provide health plans and expansion counties with data sources that may be useful in the planning process for the expansion of Medi-Cal managed care. These sources are available online and available to all affected stakeholders. In addition, the CDHS is generating updated utilization data reports representative of the Medi-Cal beneficiary populations in each of the expansion counties.

The CDHS meets with health plans on at least a quarterly basis through individual meetings with health plan CEOs and Medical Directors. These meetings are in addition to the bi-monthly Medi-Cal Advisory Group meetings that also provide updates on managed care and expansion activities.

##### Interactions with Expansion Counties

Eleven of the thirteen expansion counties and Fresno County (an existing managed care county that will be affected by the current expansion efforts) have endorsed a managed care model they believe is best suited to meet the county needs. Of the remaining two, one county is close to a final decision, and discussions are continuing with each of these remaining two counties. The table below provides additional information regarding the status of each expansion county. The CDHS is developing a revised timeline for implementation based on these decisions (also reflected in the table below). The CDHS is developing



prospective capitation rates for the counties of Marin, Sonoma, Lake, Mendocino, Placer and San Luis Obispo and will be sharing them with the affected COHS plans for planning purposes and forming provider networks.

These developments are summarized as follows:

- Sonoma County continues to meet with county stakeholders and is receptive to joining Partnership Health Plan of California (PHP). The Sonoma County group intends to submit an interim report to the County Board of Supervisors for consideration in its October 2006 meeting. The County plans to present a letter of intent to affiliate with PHP for Board resolution in December 2006.
- El Dorado County continues its strategic planning process. They expect to submit their proposal for implementing Medi-Cal managed care in late 2006.
- Imperial County continues its strategic planning process and plans to provide a recommendation to the County Board of Supervisors in December 2006.
- The San Benito County Board of Supervisors has endorsed the CDHS proposal for the County to affiliate with the Central Coast Alliance for Health (CCAH) a COHS model health plan that operates in Monterey and Santa Cruz counties; however, the county continues to work with local stakeholders and providers to reach agreement. A meeting was held in late June 2006, involving CCAH, local providers, and CDHS staff to discuss provider reimbursement, provider responsibilities, network formation and the providers' concerns about managed care. Local stakeholders are skeptical as to the advantages of linking with CCAH. Additionally, CCAH is experiencing current financial problems and has expressed concern about an aggressive expansion into San Benito County.
- The CDHS continues to hold biweekly teleconferences with Fresno, Kings, and Madera County representatives. The three counties are developing a joint powers agreement to form a tri-county region health system infrastructure and governing authority. This will be a regional Two-Plan Model that will cover all three counties.
- Merced and Ventura county officials are seeking federal legislation to become new COHS plans. Representative Lois Capps (CA-23) has introduced H.R. 5721, which would amend the Consolidated Omnibus Budget Reconciliation Act of 1985 and permit new COHS in Merced and Ventura. This bill is co-sponsored by Representative Dennis Cardoza (CA-18) and Representative Elton Gallegly (CA-24) and is currently with the Subcommittee on Health. There is no current legislative vehicle in Congress to carry this item.

#### Expansion County Stakeholder Meetings

The CDHS staff continues to meet with and provide technical assistance to counties and stakeholders in discussions related to expansion of managed care. In counties where final decisions and Board of Supervisors resolutions are received, the CDHS has facilitated discussions between county officials, stakeholders, and health plans.

### **Managed Care Expansion September 2006**

<b>County</b>	<b>Original Implementation Date</b>	<b>Revised Implementation Date</b>	<b>Current Model</b>	<b>Proposed Model per County Discussions</b>
San Luis Obispo	4/01/08	7/01/08	None	Join w/Santa Barbara COHS
Placer	3/01/07	1/01/08	None	Join Sacramento GMC
Marin	4/01/08	12/01/07	None	Join w/Partnership Health Plan (PHP) COHS
Sonoma	4/01/08	7/01/08	None	Join w/PHP COHS
Mendocino	4/01/08	12/01/08	None	Join w/PHP COHS
El Dorado	3/01/07	Pending further discussion w/MMCD	None	Still under county deliberation; CDHS proposed joining Sacramento GMC
Lake	4/01/08	12/01/08	None	Join w/PHP COHS
Fresno	10/1/07	7/1/09	Two Plan	Central Valley Region Two-Plan
Madera	10/1/07	7/1/09	None	Join Central Valley Region Two Plan
Kings	10/1/07	7/1/09	None	Join Central Valley Region Two-Plan
San Benito	4/01/08	Pending further discussion w/MMCD	None	Join w/Central Coast Alliance COHS
Ventura	4/01/08	Pending federal COHS authority	None	New COHS
Merced	10/1/07	Pending federal COHS authority	None	New COHS
Imperial	3/01/07	Pending county study 11/06	None	Under county deliberation; CDHS proposed joining the San Diego GMC.